

**UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF MASSACHUSETTS**  
(Boston Division)

UNITED STATES SECURITIES AND  
EXCHANGE COMMISSION,

Plaintiff,

v.

STEVEN E. NOTHERN,

Defendant.

CV NO.: 05-CV-10983 (NMG)

**DECLARATION OF DREW T. MATUS**

Drew T. Matus declares and states, under penalty of perjury, as follows:

- 1) I have been employed by Lehman Brothers Inc. ("Lehman") since approximately March 2000. In October 2001, I was an Economist in Lehman's U.S. Economics Department. My primary role was to provide economic analysis and related research support to institutional investor clients of Lehman.
- 2) I am currently a Senior Vice President and Senior Economist at Lehman. My role continues to primarily involve providing economic analysis and related research support to Lehman's institutional investor clients.
- 3) In October 2001, I prepared a document entitled "Fourth Quarter 2001 Refunding Preview" ("Q4 '01 Refunding Preview"). I believe I transmitted this document to people inside and outside of Lehman on or around October 24, 2001. A true and correct copy of

an e-mail from me, dated October 24, 2001, attaching the Q4 '01 Refunding Preview is appended hereto as Exhibit A.

4) The Q4 '01 Refunding Preview states as follows: "We continue to expect a full 30-year bond issue in 2002." (emphasis original).

5) On the morning of October 31, 2001, I learned from public sources that the United States Department of Treasury intended to immediately suspend the 30 year Treasury bond. This information came as a surprise to me.

The foregoing is true and correct, to the best of my knowledge and recollection.

March 31, 2008  
New York, New York

  
Drew T. Matus

## **EXHIBIT A**

**Williams, Erica Y.**

**From:** Matus, Drew  
**Sent:** Wednesday, October 24, 2001 8:25 AM  
**Subject:** October 31st Refunding Preview: \$15bn 5's, \$7bn 10s and talk of ending buybacks...

**Follow Up Flag:** Follow up  
**Flag Status:** Red

**Attachments:** Oct31RefundPrev1.doc



Oct31RefundPre  
v1.doc (33 KB)

## LEHMAN BROTHERS U.S. ECONOMICS

### Fourth Quarter 2001 Refunding Preview

The fourth quarter refunding will be announced around 9:45 a.m. on October 31<sup>st</sup>.

There is a significant chance of market-moving announcements from this refunding as the Treasury faces considerable uncertainty in both the level and the pace of government spending. We expect that, given the Treasury's cash needs, the size of these issues will be larger than those seen in the August refunding. The main uncertainty regarding the size of the refunding surrounds the 10-year note which has already been re-opened (off-schedule) once. Given recent comments by Treasury Under-Secretaries regarding the 10-year, it seems likely that it will be no more than \$7.0bn.

#### Q4 2001 Refunding Summary

Type	Issue	Expected Size	Change Previous*	Auction Date
5-Year note	New	\$15.0bn	+\$2.0bn	6-Nov
10-Year note (R)	5% 8/15/11	\$7.0bn	+\$1.0bn	7-Nov

\*Change from previous auction of similar type, i.e. reopening or new.

We continue to expect expanded short-term issuance out of the Treasury with 2-year note auction sizes continuing to rise until the end of Q1 2002. We expect the November 2-year note will be \$21.0bn in size.

In addition to the standard announcements above we expect comments on the following topics:

- The Treasury will announce that the buyback program may be suspended in the next few quarters. Given the likelihood of a budget deficit in FY2002, this program could be cancelled or significantly cut back as early as the February refunding announcement.
- Continued talk of the elimination of the 30-year bond. However, given the current fiscal uncertainty and the Treasury's desire to keep their options open, this is just talk for the time being. We continue to expect a full 30-year bond issue in 2002.
- Potential changes to the 35% rule that limits the amount of an issue any one entity can be awarded in the auction process. Any changes would relax the rule.

**WEDNESDAY 24 OCTOBER, 2001**

DREW T MATUS (201) 524-4539

We do not guarantee the information herein to be correct but have obtained it from sources which we consider to be reliable. The material is intended for the sole use of the person or firm to whom it is provided by us.

Drew T. Matus  
U.S. Financial Markets Economist  
201-524-4539

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Wednesday 2 April, 2008

DREW T MATUS (201) 524-4539

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